HIGHL of the ALBERTA ECONOMY

Alberta

GOVERNMENT OF ALBERTA
CANADA

For more information, contact:
Alberta Economic Development
Policy & Economic Analysis Division

4th Floor, Commerce Place

10155 – 102 Street

Edmonton, Alberta, Canada T5J 4L6

Telephone: (780) 427-6787 Telefax: (780) 422-0061

Website: http://www.alberta-canada.com/statpub

Note: Every attempt was made to use the most verifiable, up-to-date facts from Statistics Canada, Alberta Economic Development and other reliable sources. However, as new statistics become available over time, the specific information presented, while still representing a good overall picture of Alberta's economy, will become increasingly less accurate. Current figures are available at our website.

Printed in Alberta, Canada January 2001
ISBN 0778509761

101-02694/

Albertans have long believed our wealth of natural advantages makes us unique in the Canadian federation. Today, Albertans can be proud of the fact that ours is the only Canadian province with no net debt. The Alberta government has combined Alberta's abundance of natural advantages with a positive business climate that encourages investment, creates diversity, and promotes Alberta's business success around the world. The result of this economic plan is one of the world's most vibrant and competitive economies.

Alberta's Natural Advantages:

- An abundance of energy reserves which fuel a thriving oil & gas industry.
- An abundance of forest reserves to responsibly meet the needs of a growing forest products industry.
- Excellent farm land, which supports world-class agriculture production.
- Unmatched scenery, unspoiled wilderness, and abundant wildlife, attracting tourists from around the globe.

Positive Business Climate:

- A highly skilled, educated and motivated workforce that is among the most productive in Canada.
- A powerful, independent-minded entrepreneurial spirit that reflects Alberta's pioneer heritage.
- The lowest overall taxes in Canada.
- No provincial sales tax (the only province in Canada without one).
- No general capital or payroll taxes.
- One of the most competitive business tax environments in North America.
- Streamlined regulations to improve the competitiveness of Alberta companies.
- A balanced provincial budget, required by law, that demonstrates Alberta's businesslike, responsible attitude to investors.
- Research and development spending that is among the highest per capital in Canada.
- World class infrastructure to support business, including transportation, telecommunications, and utilities, as well as excellent hospitals, schools, and post secondary institutions.

The Economic Results:

- Alberta has had the fastest growing economy in Canada over the past 5 years, with the annual real rate of growth averaging 4.6%. In 2000, the estimated growth exceeded 6%.
- Alberta's businesses exported more than $51 billion worth of goods and services in 2000. In addition to primary resource products, a growing number of those exports were manufactured goods.
- Alberta's manufacturers are thriving. The industry's shipments increased 5.8 percent in 1999 to $ 35.4 billion.
- The province consistently has the highest investment per capita among provinces. A total of $ 31.3 billion was invested in 1999 and that figure is expected to have increased to $ 34 billion in 2000.
- Alberta's hot economy translates into a healthy job market. Average full-time employment in the province in 2000 increased by 40,000 over 1999.
- Alberta's average unemployment rate in 2000 was 5%, down from 5.7% in 1999.

Alberta's Economic Outlook:

- Private and public sector forecasters are predicting Alberta will be among the top three provinces in economic growth in 2001. Most forecasters expect Alberta to lead the country.
- Alberta's economy is expected to grow strongly over the medium term as well.

Source: Alberta Treasury

Economic Highlights

- During the third quarter of 2000, Alberta's population reached 3 million.

- The average number of people employed in Alberta totalled 1,588,000 in 2000. The unemployment rate was 5%.

- In 2000, Alberta's economy expanded by more than 6%. Alberta's Gross Domestic Product exceeded $135 billion (Cdn).

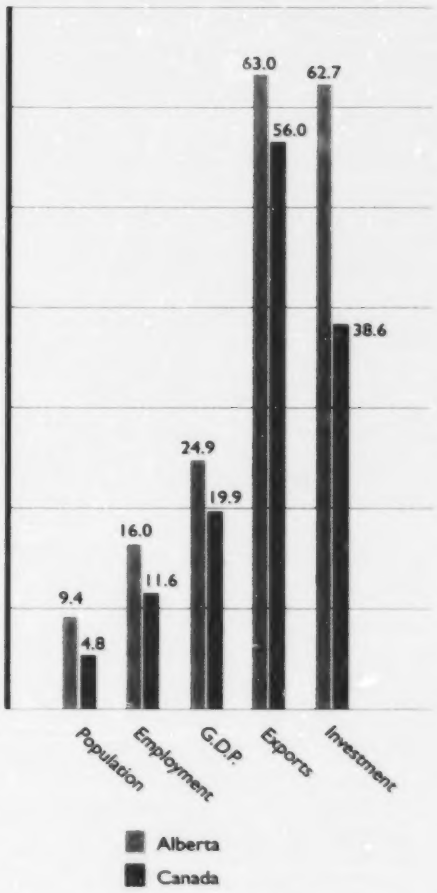
- International exports of goods and services were more than $51 billion in 2000.

- Total investment was $34 billion in 2000.

- Housing starts totalled 26,900.

- The total value of retail trade was $32 billion.

Growth in selected Economic Indicators
% Change, 1995 - 2000



Sources: Statistics Canada Alberta Economic Development and Alberta Treasury

Structure of the Alberta Economy

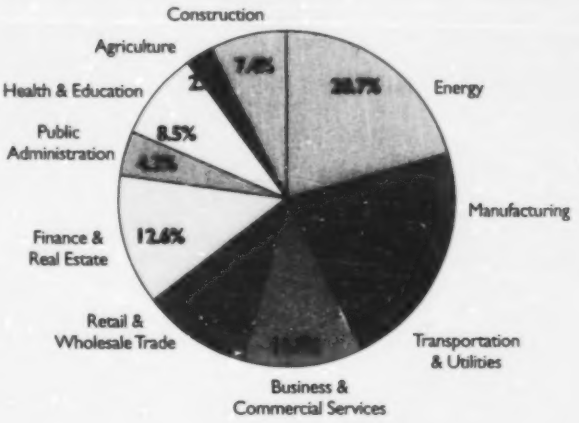
Over the past decade, the economy has experienced rapid growth in such industries as petrochemicals, food processing, forest products, electronics and telecommunications, as well as tourism and business services.

While energy still remains key to Alberta's vibrant economy, its contribution to the GDP has fallen from 37% to about 21%. This reflects the strong growth of other sectors of the economy.

The manufacturing sector's contribution to the GDP has grown by over 75% from 6.3% to 11.1% of GDP.

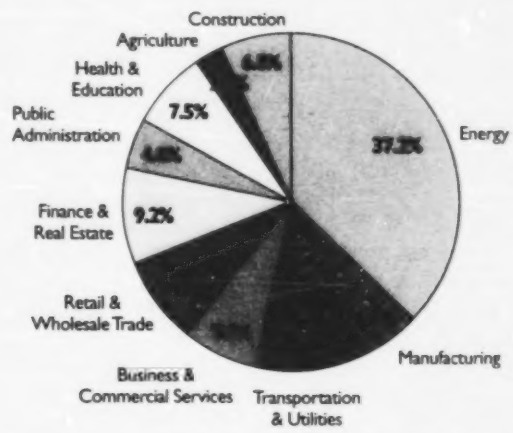
Business and commercial services now make up 11.7% of the GDP, up from 7.3% in 1985.

Structure of the Alberta Economy
Percentage Distribution of GDP – 1999

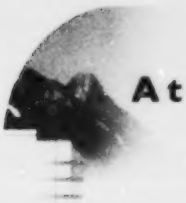


Total GDP at Market Prices: $115.4 Billion
Source: Alberta Treasury

Structure of the Alberta Economy
Percentage Distribution of GDP – 1985



Total GDP at Market Prices: $63.1 Billion
Source: Alberta Treasury



Attractive Investment Climate

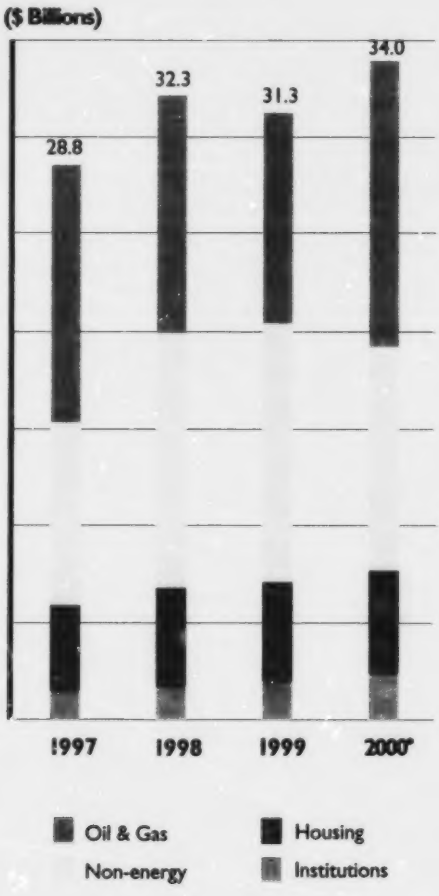
- Investment drives Alberta's growth.

- Alberta consistently records the highest investment per capita among the provinces.

- Approximately $34 billion is projected to be invested in Alberta in 2000, based on reported intentions.

- Strong investment growth is anticipated over the next three to four years, led by increased investment in oil sands, food processing, and business services.

Total Investment in Alberta
(Capital Expenditures)



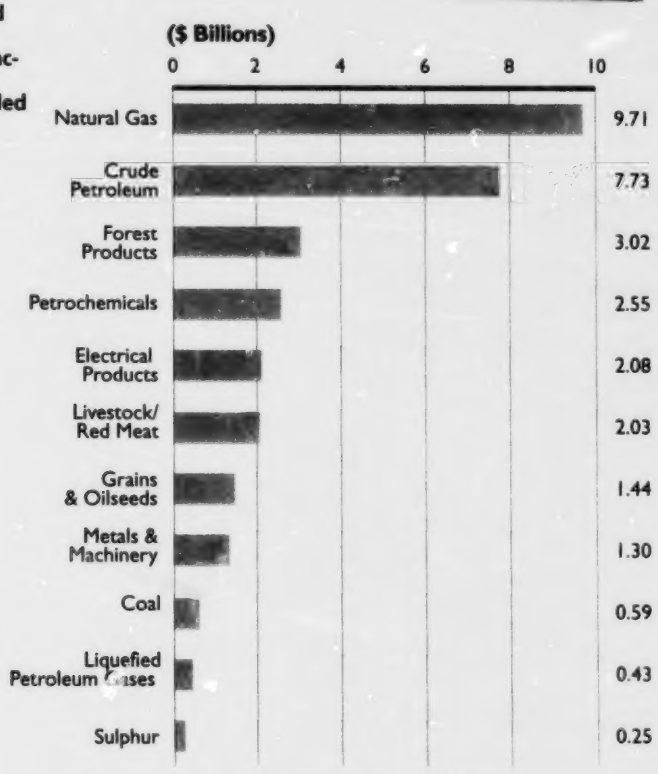
* Revised Intentions
Source: Statistics Canada

An Exporting Economy

- In 1999, Alberta businesses exported about $38 billion worth of goods and services to world markets, an increase of more than 50% over 1994.

- As well as exports of primary resource products, Alberta exports an increasing volume and variety of manufactured products. Exports of manufactured products almost doubled between 1994 and 1999.

Alberta's Major Product Exports – 1999



Total Exports $34.5 Billion

Source: Statistics Canada

Strategic Location

Immediate western Canadian market of more than 9.1 million people. (Manitoba, Saskatchewan, Alberta and British Columbia)

Proximity to the western United States provides easy access to an overall market of more than 54 million people. This includes the 10 states, westbound from Colorado to the Pacific Coast.

Alberta's International airports in Edmonton and Calgary provide excellent air service to both Canadian and International destinations.

Abundance of Natural Resources

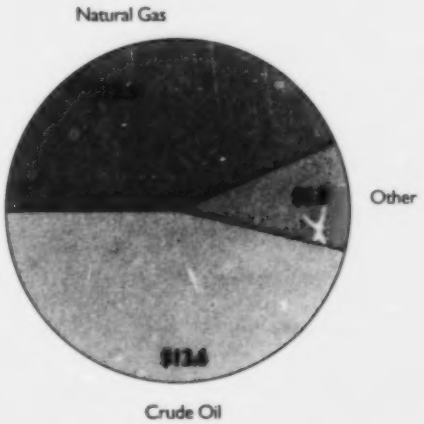
Energy

Long known as Canada's energy province, Alberta produces 65% of the country's conventional crude oil, 80% of its natural gas, 49% of its coal and accounts for all of its bitumen and synthetic crude oil.

Alberta's 1999 gross revenues from all hydrocarbons were $29.5 billion, an increase of 37% from 1998, due to higher prices for oil and gas.

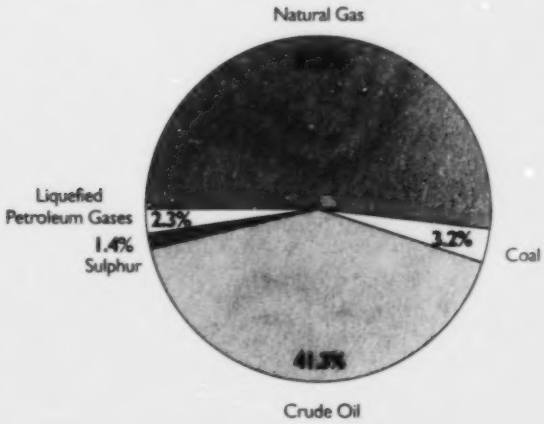
In 1999, energy resource exports accounted for $18.7 billion of Alberta's exports, slightly less than half of Alberta's total exports of goods and services in 1999.

Alberta's Energy Revenues – 1999
Total: $29.5 Billion



$ Billions
Note: Other includes liquefied petroleum gases, sulphur, and coal
Source: Alberta Energy and Utilities Board

Alberta's Energy Exports – 1999
Total: $18.7 Billion



Source: Statistics Canada

Abundance of Natural Resources

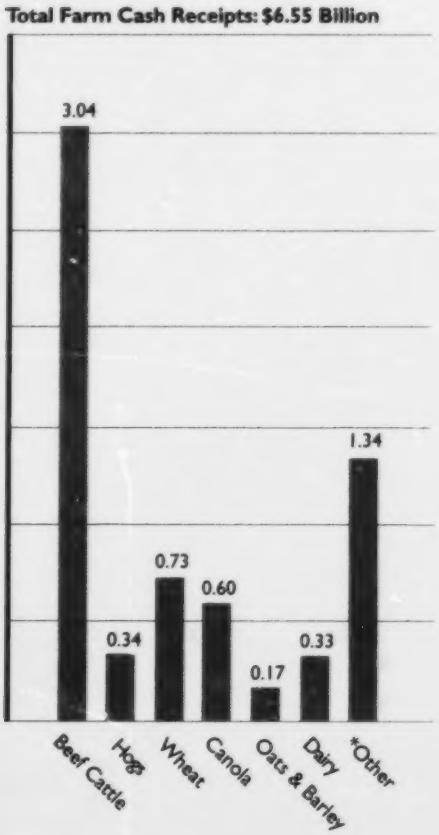
Agriculture

- With more than 51 million acres currently used for crop and livestock production, Alberta has one of the world's most productive agricultural economies.

- In 1999, total farm cash receipts reached $ 6.55 billion, which represented 21.5% of the value of Canada's total agricultural production.

- Besides a strong primary agricultural sector, Alberta also has a rapidly expanding value added agricultural products sector.

Alberta's Major Agricultural Products – 1999
Farm Cash Receipts ($ Billions)



* Includes specialty cash crops, honey, poultry, eggs, program payments, etc.
Source: Statistics Canada

Abundance of Natural Resources

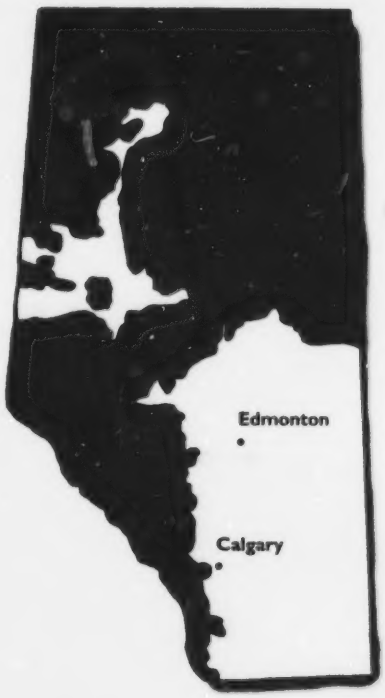
Forestry

- Total forest industry shipments reached approximately $4.2 billion in 1999, and exports were about $3 billion.*

- Alberta covers over 66 million hectares of land; 58% or 38 million hectares is forested.

- Annually, Alberta allows 23.2 million cubic meters to be harvested, of which 13.3 million cubic meters is coniferous, and 9.9 million cubic metres is deciduous.

- Alberta's commercially productive timber land base of 22.5 million hectares covers 35% of Alberta's total area and includes in excess of 2.2 billion cubic metres of growing stock.



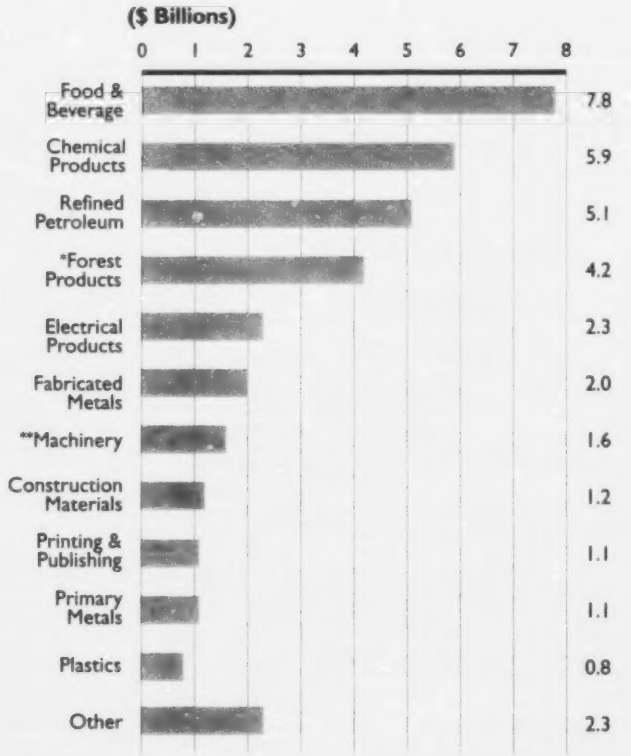
* Includes wood products and pulp & paper.

A Growing Manufacturing Base

Between 1994 and 1999, Alberta's manufacturing shipments increased by 40% to $35.4 billion.

Alberta's manufacturing sector is closely tied to the resource sector. Almost two-thirds of manufacturing output consists of value-added resource products.

Value of Alberta Manufacturing Shipments – 1999
Total: $35.4 Billion



* Includes wood industries
** Excludes electrical machinery
Source: Statistics Canada

Advanced Technology

- Alberta's extensive network of research and development institutions and facilities help develop and commercialize advanced products and processes.

- Alberta's high technology community includes many large multinational companies with significant manufacturing operations in Alberta.

Advanced Technology Institutes & Facilities

- The Alberta Government's research and development expenditures are among the highest, on a per capita basis, in Canada.

- Advanced technology employment growth averaged over 11% from 1994 to 1999. This sector employed more than 87,000 in 1999.

- Telecommunications Research Laboratories (TR Labs)
- University of Alberta Microfabrication Laboratory
- Biotechnology Pilot Plant
- Alberta Research Council
- Research Institute for Multi-Media Systems
- Telehealth Technology Research Institute

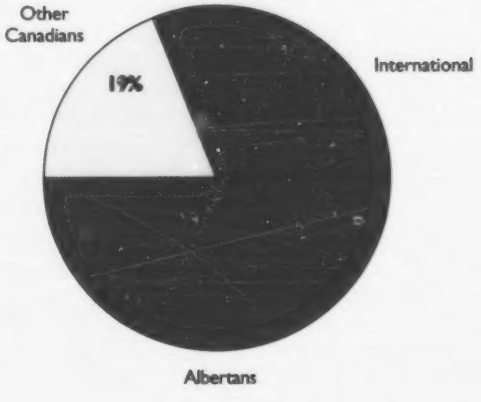
A Vibrant Tourism Industry

- Alberta offers internationally recognized tourism destinations, natural scenic beauty, world renowned national parks, a diversity of landscapes, and friendly safe, dynamic cities.

- Tourism supports approximately 100,000 full-time jobs for Albertans, and generated about $ 4.2 billion in revenues in 1999.

- Half of this amount, about $2.1 billion, came from out-of-province visitors.

Tourism Receipts – 1999
Total: $4.2 Billion



Source: Alberta Economic Development

Arts and Culture

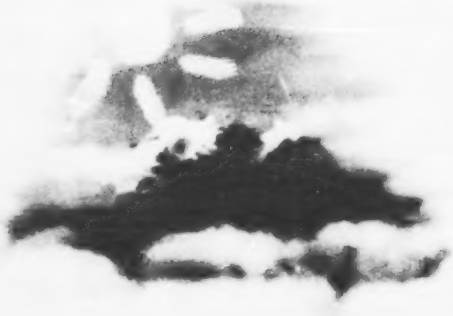
- The arts and culture sector contributes to an exciting quality of life for Alberta's residents, offering superb leisure time, business, education, career development, and life enrichment opportunities.

- Alberta Arts organizations held almost 9,900 events in 1999, to which total attendance was 12 million.

- In 1999, 567 arts organizations, supported by the Alberta Foundation for the Arts, contributed almost $130 million to the provincial economy, and provided employment for almost 3,700 Albertans.

- During 1999, 59,000 Albertan volunteers helped to keep the arts alive and active across the province by contributing time, equivalent to 1,452 full-time jobs.

- In addition to many ongoing sports and cultural events, Edmonton will be hosting the 2001 World Championships in Athletics.



The arts

Small Business

Cornerstone of the Economy

- Alberta has a dynamic and innovative business climate, as shown by its growth in small businesses.

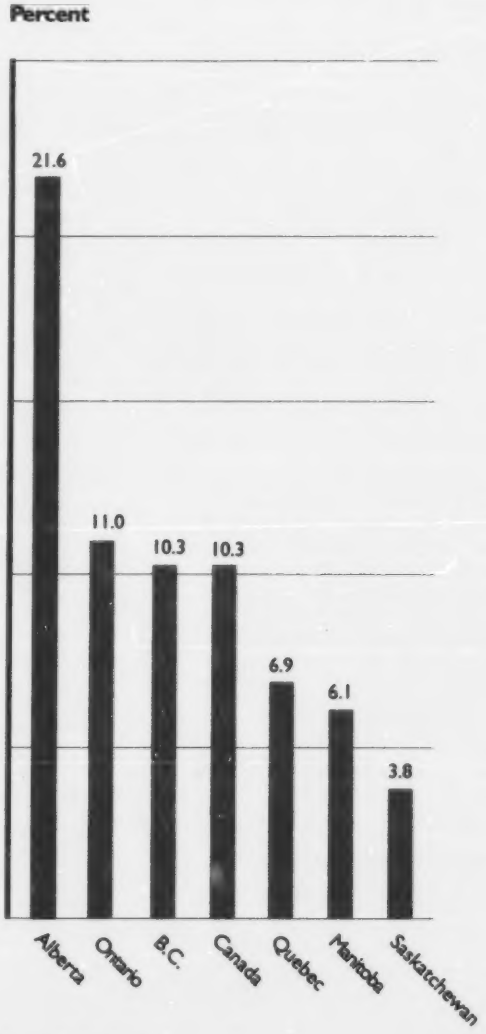
- Alberta enjoyed the largest increase in Canada of 21.6%, or 22,400 employer businesses from the 4th quarter of 1994 to the 4th quarter of 1999.

- Alberta has the third highest percentage of self-employed workers in Canada.

- The Alberta small business income tax rate will be cut in half to three percent by 2003.

- The small business threshold (the amount of income eligible for the small business tax rate) will be doubled from $200,000 to $400,000 by 2002.

Percentage Change in Business Employers
By Province, 4th Quarter 1994 – 4th Quarter 1999



Source: Statistics Canada

Competitive Corporate Taxes

- With recent tax changes, Alberta will have one of the most competitive business tax environments in North America. The combined federal/ provincial corporate income tax rate will be less than 30% by 2004.

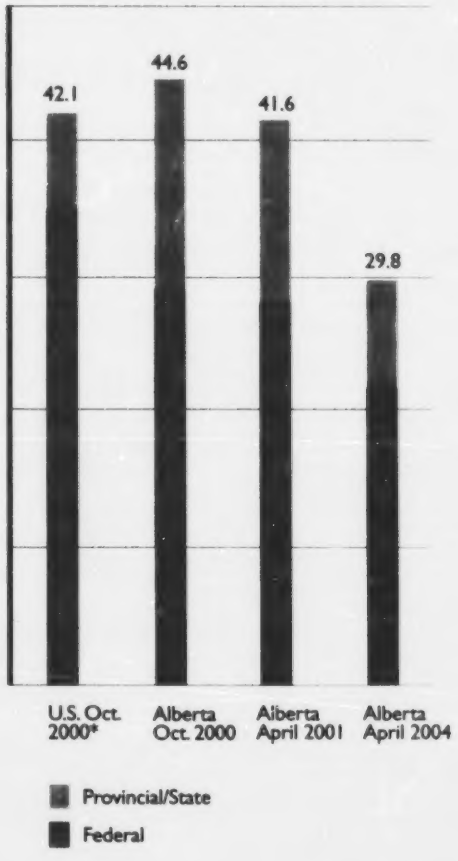
- Alberta is cutting its corporate income tax rate from the current level of 15.5% to 8% by 2004.

- The Government of Canada is reducing the federal general income tax rate from 28% to 21%.

- Alberta has no provincial capital or payroll taxes and has no sales tax.

- Alberta businesses do not require employer sponsored health care insurance, as health care is publicly funded in Canada.

Comparison of Corporate Income Tax Rates



* 7.1% represents the average state corporate income tax rate
Rates known as of October 2000.

Provincial and State Corporate Income Tax Rates

Province	General	Mfg. & Processing	Small Business
Newfoundland	14.0	5.0	5.0
Prince Edward Island	16.0	7.5	7.5
Nova Scotia	16.0	16.0	5.0
New Brunswick	17.0	17.0	6.0
Quebec	9.04	9.04	9.04
Ontario	14.5	12.5	8.0
Manitoba	17.0	17.0	7.0
Saskatchewan	17.0	10.0-17.0	8.0
Alberta (a)	15.5	14.5	6.0
British Columbia	16.5	16.5	4.75
Federal	28.12	22.12	13.12

State	General	Mfg. & Processing	Small Business
Washington (b)	n/a	n/a	n/a
Oregon	6.6	6.6	6.6
California (c)	8.84	8.84	8.84
North Dakota	10.5	10.5	3.0 – 10.5
Montana	6.75	6.75	6.75
Idaho	8.0	8.0	8.0
Colorado (d)	4.75	4.75	4.75
Utah	5.0	5.0	5.0
New Mexico	4.8 – 7.6	4.8 – 7.6	4.8
Louisiana	7.0 – 8.0	7.0 – 8.0	4.0 – 6.0
Federal	35.0	35.0	30.6(e)

Canadian rates known as of January 2001.
U.S. rates known as of December 1999.
Source: Alberta Economic Development

State:

a) Alberta's general and manufacturing & processing rates will be reduced to 13.5% as of April 1, 2001.

b) Washington has a business occupation tax in lieu of an income tax, which is based on gross revenue sales (0.138% to 3.3% according to the type of business).

c) Applies to subchapter "c" corporations. Flow through subchapter "s" corporations are taxed at 1.5%.

d) Tax rates vary annually to balance the budget.

e) Effective rate as of Dec. 31, 1999 on taxable income of $200,000.

Provincial Capital and Payroll Tax Rates (%)

Alberta	—	—
British Columbia	0.3	—
Saskatchewan	0.6	—
Manitoba	0.3/0.5(a)	2.15
Ontario	0.3	1.95
Quebec	0.64	4.26
Newfoundland	0.3	—
New Brunswick	0.25	—
Nova Scotia	—	2.0

Rates known as of January 2001.
Source: Alberta Treasury.

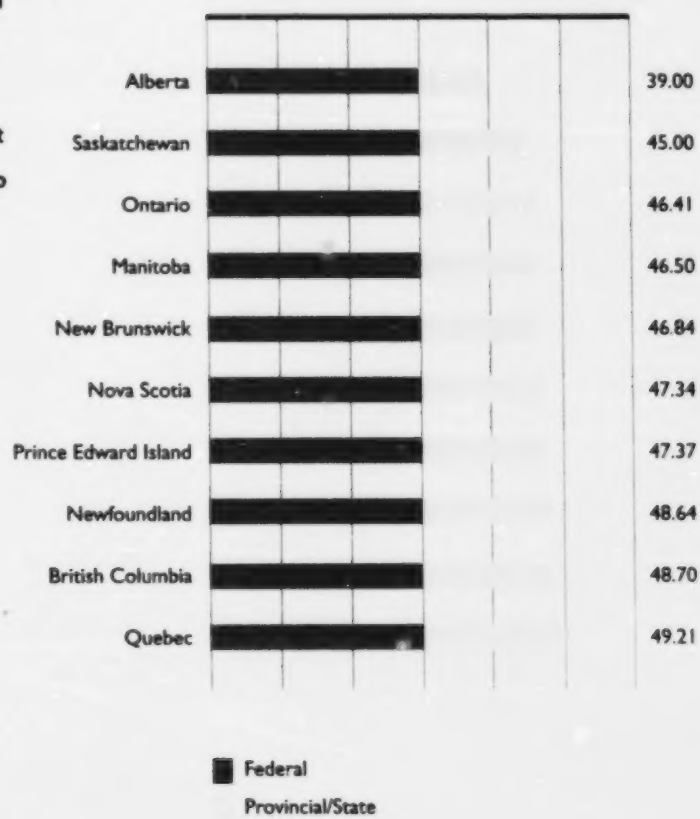
a) Manitoba has a $3 million exemption level and the higher rate applies to paid-up capital in excess of $10 million.

Low Personal Taxes

- Alberta's provincial personal taxation rates are among the lowest in Canada.

- Effective January 1, 2001, Alberta moved to a new single rate of tax on personal income of 10%. Personal exemptions will nearly double and spousal exemptions will more than double. These changes, combined with other recent tax changes, will result in a 23% tax cut and annual savings of $1.5 billion to Albertans over 1999.

Top Marginal Effective Personal Income Tax Rates (%)
January 1, 2001



Source: Alberta Treasury, January, 2001

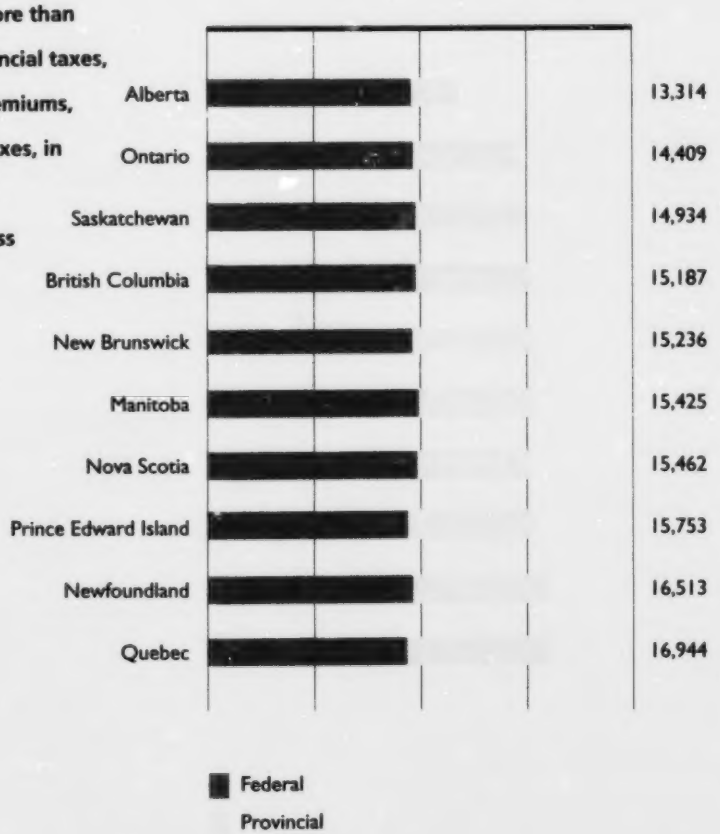
Low Personal Taxes

- The overall tax burden on individual Albertans is by far the lowest of any province in Canada.

- Alberta is the only province without a provincial sales tax, and has the lowest gasoline taxes in the country.

- A two income Alberta family of four, earning $60,000 pays more than $1,000 less in total provincial taxes, including health care premiums, sales and other excise taxes, in Alberta than in Ontario, and more than $3,600 less than in Quebec.

Comparison of Provincial and Federal Taxes by Province
Two Income Family of Four – $60,000*

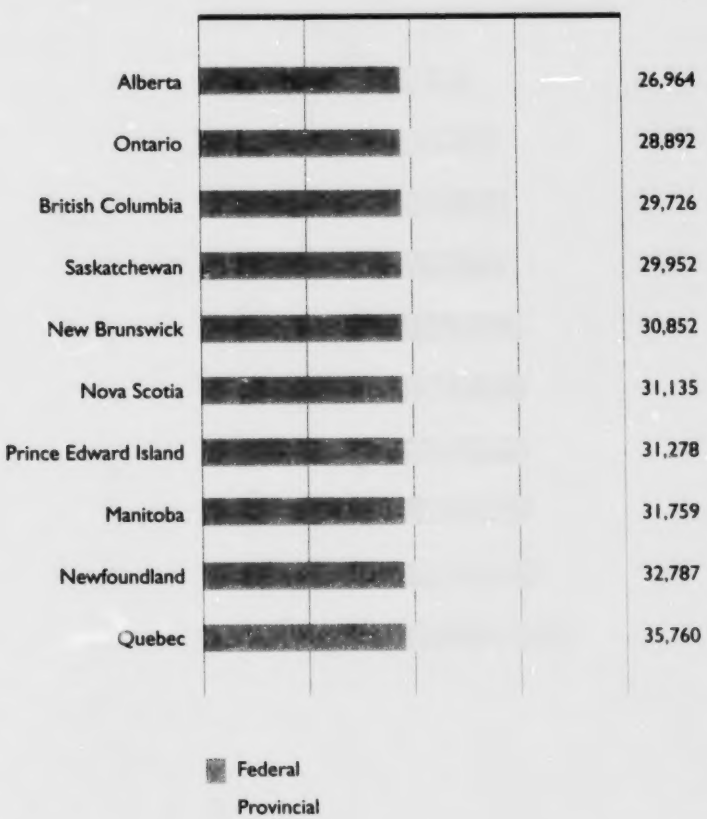


*As of January 1, 2001
Source: Alberta Treasury, January, 2001

Low Personal Taxes

- **A two income Alberta family of four, earning $100,000 pays over $1,900 less in total provincial taxes, including health care premiums, sales and other excise taxes, in Alberta than in Ontario, and more than $8,700 less than in Quebec.**

Comparison of Provincial and Federal Taxes by Province
Two Income Family of Four – $100,000*



*As of January 1, 2001
Source: Alberta Treasury, January, 2001

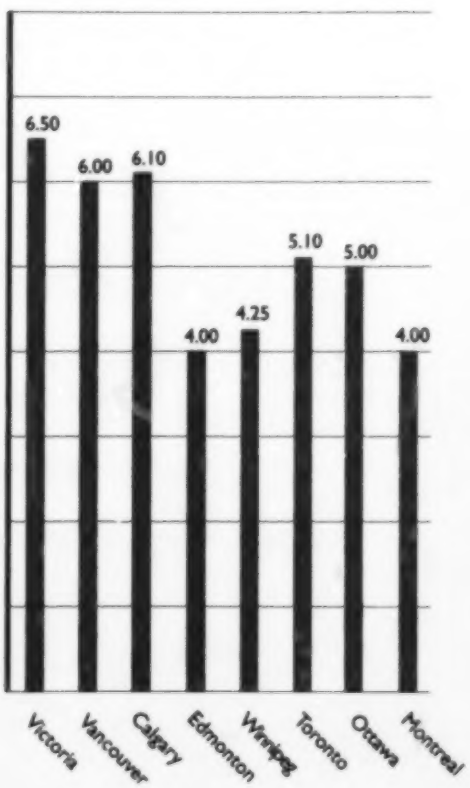
Industrial Lease Rates

- Industrial lease rates in Edmonton (and Montreal) were the lowest of any major city in Canada in 1999.

- The industrial vacancy rate in Calgary rose from 3.1% in 1998 to 3.4% by year-end 1999. For the fifth year in a row, the Calgary industrial market saw a record level of new construction, which contributed to the rise in vacancy rate. The vacancy rate in Edmonton decreased by 0.5% to 4.9% overall.

- 1.8 million square feet of new industrial supply is forecast to be built by the end of 2000 in Edmonton. In the same period, 3.0 million square feet is expected to be constructed in Calgary.

Industrial Lease Rates
($ per square foot)



Note: For medium size warehouse space
Source: Colliers Macaulay Nicolls Inc.
Canadian Real Estate Review 1999-2000

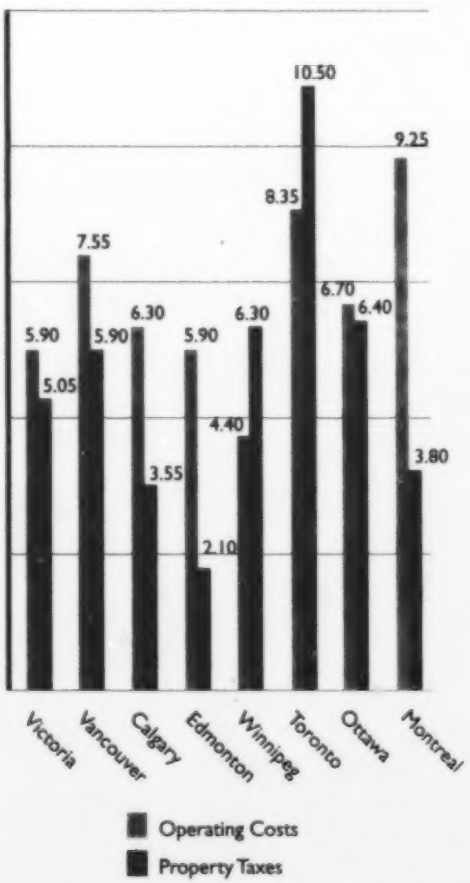
Office Operating Costs

- Combined office operating costs and property taxes in Edmonton and Calgary are the lowest of any major cities in Canada.

- Property taxes in Calgary are approximately one third of what they are in Toronto. Edmonton property taxes are less than half of what they are in Vancouver, and less than a quarter of Toronto's property taxes.

- Net effective rents for premium quality office space average between $ 4.00 and $ 6.00 per square foot in Edmonton, still among the lowest rents in Canada.

Office Operating Costs & Taxes
($ per square foot, downtown class A)



Note: Operating costs include utilities, building management, and janitorial
Souce: Colliers Macaulay Nicolls Inc.
Canadian Real Estate Review 1999-2000

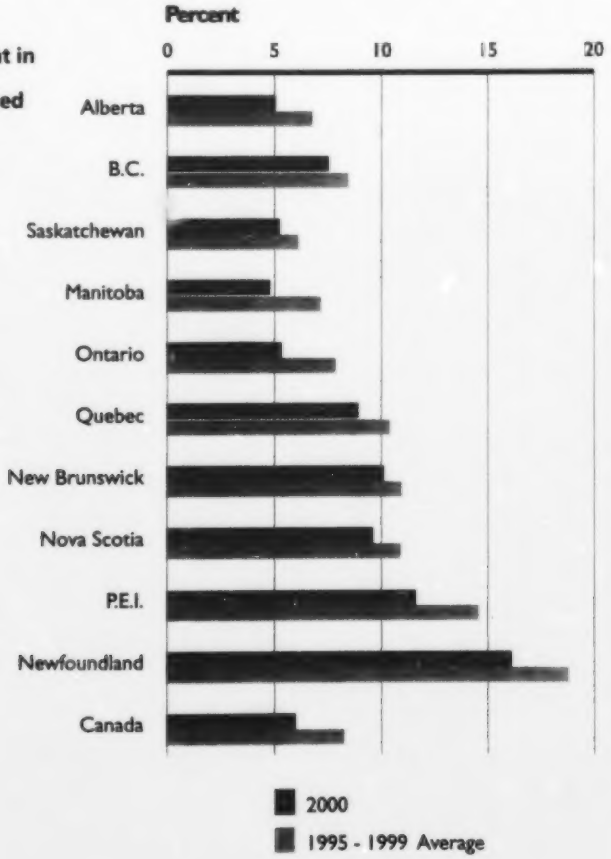
Alberta's Labour Force

- Alberta's unemployment rate has consistently been one of the three lowest of all the provinces in Canada.

- Alberta has created an average of 43,000 new jobs per year since 1995, a growth rate of 3% per annum.

- In 2000, average employment in the Alberta economy increased by 35,000 over 1999.

Unemployment Rates by Province
1995 – 2000



Source: Statistics Canada

Labour Productivity

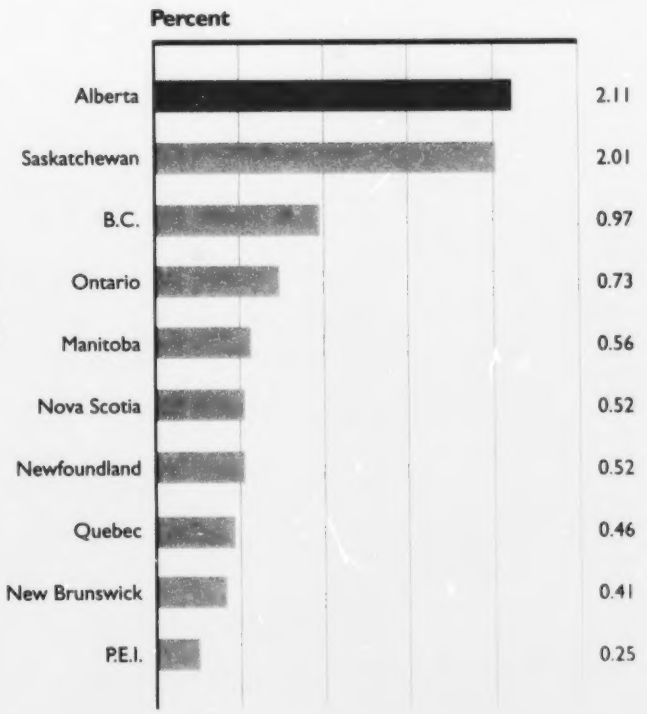
- **Alberta's total economic productivity increased at an average annual rate of 2.11% between 1989 and 1998, which was the highest rate in Canada.**

- **In 1998, Alberta's economic productivity was higher than any other province. Total value-added per hour in Alberta was 114.8% of the Canadian average. The only other province to exceed the Canadian average (100%) was Ontario with 103.3%.**

- **Alberta consistently has one of the best labour records of any province in Canada, in terms of fewest workdays lost due to strikes.**

- **Alberta's manufacturing productivity increased at an average annual rate of 3.82% between 1989 and 1998, which was the second highest rate of growth in Canada, after P.E.I.'s 4.65%.**

Total Economic Productivity Growth Rates
Total Factor Productivity – 1989-1998 (Based on Hours)



Source: Centre for the Study of Living Standards

Wages/Salaries

Average weekly manufacturing wage rates are competitive with most provinces and U.S. states.

When fringe benefits — particularly medical insurance costs – are added to U.S. wages, Alberta's wage costs are much lower than in the United States.

Average Weekly Manufacturing Wages

(Excludes Overtime, Annually) – 1999

Note: 1 Can $ = 0.673 U.S. $
Sources: Statistics Canada and the U.S. Department of Labour

Workers' Compensation Board Premiums

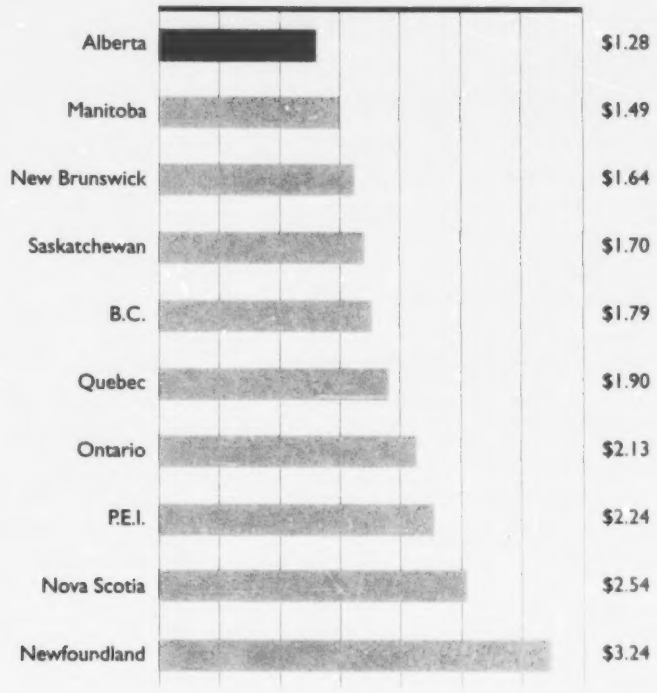
- The Alberta Workers' Compensation Board (WCB) has taken major steps over the past several years to improve operations and reduce employer premiums.

- The average actual premium rate in 2000 was $1.12 per $100 of insurable earnings.

- Alberta's 2001 estimated rate of $1.28 per $100 of insurable earnings is the lowest of all provinces.

- Even though Alberta rates will increase in 2001, they will still be about 45% lower than they were in 1994.

Workers' Compensation Board Premiums
(2001 Assessment Rates* Per $100 Payroll)



*Provisional
Source: Association of Workers' Compensation Boards of Canada

Quality Education

- Albertans are among the best educated people in North America. During 1999, 49% of the labour force held a post-secondary certificate, diploma, or university degree.

- Alberta's post-secondary education system has a total of 25 institutions, including four universities, two technical institutes, 15 public colleges, four private accredited colleges, and the Banff Centre.

- Alberta's four universities have over 84,000 students in total. Over 200,000 students are enrolled in the public post-secondary education system.

- Alberta has over 30,000 registered apprentices in 50 trades.

Alberta's Post-Secondary Education System

University of Alberta	Canada's second largest English-speaking university with about 34,000 students*. Extensive research facilities.
University of Calgary	With over 28,000 students*, U of C is a major research centre.
**NAIT & SAIT	Among the largest polytechnical institutes in Canada with about 42,000 students in total*.
Public Colleges	Fifteen public colleges with over 79,000 students in total***.
Private Accredited Colleges	Four private accredited colleges with about 3,400 students in total.****

* Number of students enrolled full-time or part-time during any session in the 1998-1999 academic year.

** Northern Alberta Institute of Technology and Southern Alberta Institute of Technology.

*** Includes the four former Alberta Vocational Centres.

**** Full and part-time fall enrolment, 1997-98.

Quality Health Care

- For modest insurance premiums, Albertans can take advantage of an exceptional range of medical services.

- The Alberta Heritage Foundation for Medical Research funds the highest caliber of biomedical and health research in the province. Since 1980, more than $600 million has been awarded to over 6,000 scientists and trainees, who attract $2 to $3 in outside financing for every Heritage dollar invested.

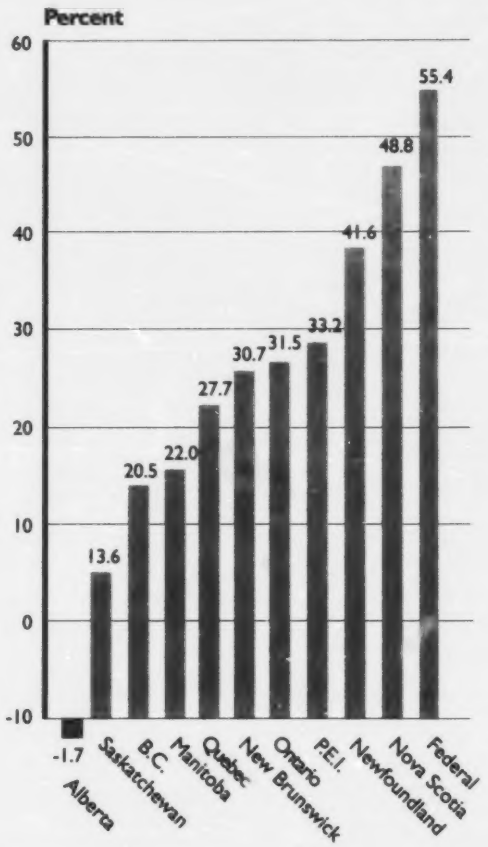
- Major medical centres in Edmonton and Calgary offer specialty and high-technology care while pursuing active research programs.

- The cost of health care in Alberta, as in the rest of Canada, is for the most part covered by general federal and provincial taxes. In Alberta, health care premiums are $34 per month for individual coverage and $68 per month for family coverage.

Alberta Government's Business Strategy

- **Four pillars of a strong foundation for Alberta:**
  - Balanced budgets are the law
  - Business plans ensure the priorities of Albertans are the government's priorities
  - Measuring results will improve Alberta's programs
  - Debt Retirement Act requires deliberate paydown of Alberta's debt
- **To attract investment and encourage job growth in the private sector, the Alberta Government is committed to free enterprise, economic development, a competitive tax environment, a strong infrastructure, and less regulation and red tape.**
- **Alberta is the only province in Canada with no net debt.**

Provincial and Federal Debt as a Percent of GDP March 31, 2000*



Source: Alberta Treasury

* Reporting differences may mean that figures are not entirely comparable across provinces.